C5150-5
4/24/89

FOOD

Latest side dishes take on new look

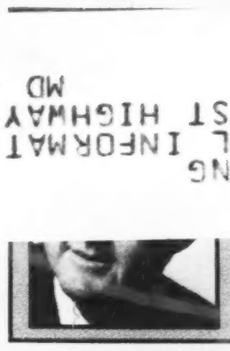
Focus section follows page 34

NON-COMMER

Meal coding k... for in-flight f...

See story on page 7

NR
MS JEANNE LONG
CONGRESSIONAL INFORMATIO 1A7
4520 EAST-WEST HIGHWAY
BETHESDA MD 20814
00133900



...the right ...quipment

Patt Patterson/Page 19

NEWSPAPER

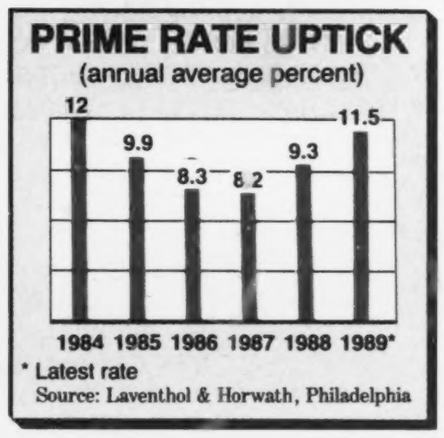
SECOND CLASS

Nation's
Restaurant News®

The Weekly Newspaper of the Food-Service Industry

Vol. 23, No. 16 | Published every Monday by Lebhar-Friedman Inc.; $3 a copy, $29.50 a year | April 17, 1989

Operators stung by rising interest rates



Funding plans periled; consumers to feel pinch

By Rajan Chaudhry

Operators nationwide are feeling the sting of rising interest rates and searching for salves to soothe the pain.

While the higher cost of money has already scotched some plans — like that of Furr's-Bishops Cafeterias L.P. to recapitalize — and is forcing others, including highly leveraged Shoney's Inc. and Foodmaker Inc., to scramble to lighten debt loads and lock in rates, the worst may be ahead, according to economists and industry analysts.

"When interest rates rise," said Bob Goldin, a senior principal with the Chicago-based research firm Technomic Inc., "it tends to have a negative impact on new-unit construction because of higher financing costs. And, more important, the amount of money available to be spent at restaurants decreases. We've found that disposable personal income is the key variable in terms of restaurant industry spending."

"When you have rising interest rates, it has a whole domino effect," agreed Anthony Baiamonte, proprietor of Baiamonte's Italian Restaurant in Toms River, N.J., and president of the Garden State Restaurant Association, which represents more than 400 independent family res-

*(See **INTEREST**, page 4)*

POLLUTION SOLUTIONS?

LA operators choke on rules to alleviate smog problems

By Richard Martin

LOS ANGELES — Restaurateurs here fear a sweeping plan to control Southern California's infamous smog may strangle the local drive-thru industry, the nation's largest, and smother the area's thousands of char-broiler operations.

Regional air quality officials, acting to avoid federal intervention, have approved a stringent, 20-year smog-abatement project that may lead to a ban on new drive-thru restaurants.

The program, prompted by the Los Angeles area's chronic failure to meet federal clean-air standards, also seeks to force restaurants with char-broilers to install costly, high-maintenance filtration equipment to limit smoke and grease emissions.

The first of several rules affecting restaurants could be adopted in 1991, according to officials of the South Coast Air Quality Management Dis-

*(See **SMOG**, page 117)*

Minneapolis city council bans plastic take-out packaging

By Carolyn Walkup

MINNEAPOLIS — Restaurateurs here are scrambling for alternative packaging for hot take-out foods following the city's ban on all non-biodegradable and non-recyclable plastic containers, the toughest law of its kind passed to date in the country.

Neighboring St. Paul's city council is expected to pass a nearly identical ordinance any day. And suburban governments are expected to follow in the coming months.

The ordinance, which takes effect in mid-1990, prohibits use of all plastic food containers except microwave dinner trays, plastic soda bottles, and milk jugs, which the city is expected to collect through its curbside recycling program.

Portland, Ore., and Suffolk County, a New York City suburb, have also banned some types of food packaging but on a more limited scale.

St. Paul councilman Bob Long, sponsor of the city's

*(See **PACKAGING**, page 117)*

FOOD WATCH

Fit for a sultan

SEATTLE — Just what sort of menu does a chef concoct for a birthday dinner honoring a visiting sultan and would-be king? Caprial Pence, chef de cuisine at the award-winning Fullers restaurant in the Seattle Sheraton Hotel & Towers, offered her royal guest a taste of the Pacific Northwest.

The Sultan of Selangor, the leading contender to become king of Malaysia, dined at Fullers with his birthday-party entourage after a postoperative checkup by his Seattle

*(See **FOOD WATCH**, page 117)*

Kimco rolls in the dough with powerhouse Kuleto's

By Alan Liddle

SAN FRANCISCO — Kimco Hotel Management probably couldn't print money much faster than it's collecting it at Kuleto's, the company's chic "California-Italian" restaurant off upscale, retail Union Square.

Kuleto

The 2.5-year-old, 175-seat restaurant and bar does an average of 665 covers a day. It is named after its designer, Pat Kuleto, a friend of Kimco owner Bill Kimpton.

Kuleto, who said he owns a "very small piece of the action," is known to entertain clients, friends, and reporters in a "power booth" at the junction of the bar and dining room.

Nancy Mootz, Kimco's vice president of operations, said Kuleto's reported $3.9 million in sales its first year and $4.2 million in sales for fiscal 1988, a year during which it was closed five weeks following a fire.

Mootz indicated that 1989 sales are being projected at $5 million but added that some of the actual monthly volumes recorded to date had exceeded projections.

*(See **KULETO'S**, page 4)*

NRN Photo

Kimco's Nancy Mootz, left, and Kuleto's chef, Robert Helstrom.

CHARLES BERNSTEIN: SMALLER CHAINS HOPELESSLY OUTGUNNED? — Page F3

INSIDE NRN

News

Savannah brings flavors of deep South to NY 7
Texas festival joins food, wine experts 7
Claiborne feeds winning team 17
Bill Knapp's closes 4 Chicago units 17
Brothers work together to keep on the Mark 28
L.C.'s Woodhouse works hard for employees 33
Bunge taps Mickle for new vp position 115
Sheraton Tucson chef dies in helicopter crash 115
Stock named chief exec for Gold Star Chili 115

Focus

Section follows page 34
Cover Story/Side dishes step into spotlight . . F1, F8-F10
Bernstein/Smaller chains hopelessly outgunned? F3
Rankin/FTC to rule on restrictive mall leases F4
Viewpoint/The "in career": Food service has arrived . . F6
Viewpoint/Wise words for the operator F6
Viewpoint/Educators must pursue industry relationships F6
Cover Story/Trixies leads "junk food" revival F14
Cover Story/Customers can be choosers F18
Monterey Wine Festival sparkles in '89 . . . . . F20-F24
Vintage 89 sparks seminars and wine tasting F26
COEX game pits baseball vets against execs F28
Changing times breed broadening menus F31
'View IV' showcases wines, food in NY F34
Mama Leone's takes off at new address F38
Castillo's blends fast-food, upscale styles F42

Columns

Patterson/Getting the right kitchen equipment 19
Hochstein/Palmer moves non-alcoholic bar across river 25
Walkup/Twin Cities chefs to cook at Taste of the Nation 90
Liddle/Pairing wine and food 91

Food

Fabricant/Tide has turned from bay scallops to sea variety 8
Food News Digest 8
What's Hot/Louisville, Ky. 8

Marketing

Pizza Inn billboards named Obie finalists 10
Marketing Digest 10
Ad Watch/Stacy's Sea Grille 10

Financial

Schlotzsky's converts to LP 12
Food Price Outlook/Alaska oil spill damage overhyped 12
NRN Fact File 12
Financial File 12
Stock table 118

Features

Correction 4
Letters F3
Where Are They Now? . F4
Name of the Week F4
Reporters' Journal F4
Flashback F4
Calendar of Events F46-84
Product News 86-93
Classified 95-115
Advertiser Index 116

NRN Directory

For your own subscription to Nation's Restaurant News, call toll-free 1 (800) 262-9500.

For other business, call (212) 371-9400 and extension:

Newsroom 285
Display advertising 404
Classified advertising 492
Subscription problems 419

Subscription rate: food-service operators and wholesalers-distributors, one year, $29.50, two years, $49.50; auxiliary (consultants, architects, designers, manufacturers, suppliers, and schools) and all others, $59.

Nation's Restaurant News (ISSN 0028-0518) is published weekly every Monday except the last Monday in December, by Lebhar-Friedman Inc., 425 Park Ave., New York, N.Y. 10022. Second-class postage paid at New York, N.Y., and additional mailing offices. POSTMASTER: Send change of address to: Subscription Department, Nation's Restaurant News, 305 Madison Ave., Suite 535, New York, N.Y. 10165-0079.

For change of address, please write Subscription Department, Nation's Restaurant News, 305 Madison Ave., Suite 535, New York, N.Y. 10165-0079. Six weeks' notice is requested. Please send old and new address and zip codes. If possible, include mailing label.

Vol. 23, No. 16 April 17, 1989

NEWS DIGEST

Minority-rights group sues Shoney's for discrimination

PENSACOLA, Fla. — A civil-rights group has filed a class action employment discrimination suit against Shoney's Inc., the Nashville, Tenn.-based coffee-shop operator, in U.S. District Court here.

The suit, brought by the NAACP Legal Defense and Educational Fund, alleges that Shoney's has maintained a policy of "classic illegal classwide disparate treatment" of blacks and "a hostile, racist work environment."

Shoney's denied the charges.

"We maintain as strongly as ever that the allegations do not represent the philosophy of Shoney's Inc.," the company said.

Despite its name, the Legal Defense and Educational Fund is not affiliated with the National Association for the Advancement of Colored People. It was founded by the NAACP in 1940.

Wendy's guarantees refund in new advertising volley

DUBLIN, Ohio — In a radical new advertising tack, Wendy's is offering to reimburse customers if a Wendy's hamburger fails to uphold the chain's claim of having "the best burgers in the business."

The new "Victory" ad campaign supports that contention with testimonials from 400 Wendy's fans and the results of a two-year survey of 1,500 consumers. The results indicate that consumers prefer Wendy's signature product to McDonald's burgers by a 2-to-1 margin.

Included in the new flight of television commercials is a money-back guarantee from Wendy's founder, David Thomas. He promises a refund to any patron who finds Wendy's burger to be inferior to the signature item of other burger chains.

Little Caesars to buy Mother's chain in Canada

FARMINGTON HILLS, Mich. — Little Caesars Enterprises has agreed to acquire Mother's, a 41-unit Canadian pizza-and-pasta chain, in a push to bolster its presence north of the border. The terms were not disclosed.

Caesars, which operates the Little Caesars Pizza chain, will retain Mother's as a second concept "at this time," a representative said.

Mother's, which has been in receivership under Canada's bankruptcy laws, is owned by M-Corp, a Montreal-based company that acquired the restaurant chain last year for $24 million.

Grand Met sells Quik Wok, reorganizes BK's Distron

IRVING, Texas — Grand Metropolitan PLC has sold Quik Wok, its fast-food Chinese concept, to a group led by Chicago restaurateur and realtor Paul Lee. Terms were not disclosed.

The conglomerate also said it was splitting Distron, Burger King's distribution subsidiary, into two operations. One will handle purchasing for the burger chain, and the other will distribute the items, Grand Met said.

The Pillsbury Co., which was purchased by London-based Grand Met in January, acquired Quik Wok in 1985 in an unsuccessful bid to cash in on the takeout-and-delivery boom.

Pizza Hut sues Caesars in 2-for-1 slogan battle

DETROIT — Pizza Hut has countersued Little Caesars Pizza in the U.S. District Court here, charging that its competitor had no right to trademark the ad slogan "Two Great Pizzas! One Low Price!"

The countersuit follows an action by a U.S. District Court that temporarily restrained Pizza Hut from using slogans found in Little Caesars advertisements. The Farmington Hills, Mich.-based Little Caesars sued Pizza Hut in El Paso, Texas, after it started an advertising campaign with the slogan "Two Great Pizzas! One Great Price!" and "Two Great Pizzas! One Fantastic Price."

Little Caesars declined to comment.

Sardi's sold in $15M deal to Atlantic City developer

NEW YORK — An Atlantic City developer has agreed to acquire Sardi's, the landmark restaurant in the theater district here, for an estimated $7.8 million in stock and the assumption of $7.2 million in debt obligations.

The buyer, Broadway Holdings Inc., said it plans to use the Sardi's name for a hotel and casino to be built in Atlantic City. It also indicated that it would open Sardi's clones in other major U.S. cities.

The sellers, an investment group led by Broadway theater producer Harvey Klaris, acquired the 68-year-old show-biz hangout in 1986. The restaurant generates an annual operating profit of $700,000 on revenues of $7 million, according to Klaris' group.

Friday's hires Doolin to lead expansion push

DALLAS — Wallace Doolin, a longtime veteran of the chain restaurant business, has joined TGI Friday's as senior vice president of development, underscoring the casual-theme operator's intent to expand rapidly.

Doolin's post had been vacant since Frank Snead left Friday's several months ago to join Country Kitchens, a fast-growing family restaurant chain owned by Carlson Cos. Carlson is also the principal stockholder of Friday's, which is in the midst of a drive to add 115 units by 1992 to its current tally of 140.

Before taking the job at Friday's, Doolin was president and chief executive of American Services Management Enterprises, an operator of franchised Flakey Jake's restaurants here. He helped launch that hamburger chain. Previously, he was a senior executive in W.R. Grace's fast-food group, where he worked with Friday's current president, Richard Rivera.

BK tests self-serve device for placing customer orders

BOSTON — Burger King units in New England are testing a new labor-saving ordering system in which patrons punch their orders into a self-service terminal resembling an automatic teller machine.

The order is relayed directly to the kitchen. The patron pays for the food by pumping money into the device through a coin slot and bill feeder similar to those found on change machines.

The trial comes at a time when many fast feeders are searching for ways to reduce their labor requirements through automation.

Byrum follows Metz in top job at Custom

MOBILE, Ala. — Joe Byrum has succeeded John Metz as president and chief executive of Morrison's Custom Management, the contract feeding division of Morrison Inc.

Metz, who founded the contract feeder, has resigned. He said he is retiring from food service after a 30-year career to pursue business interests outside the industry.

Byrum was previously executive vice president and chief operating officer. He joined the firm 23 years ago as a cafeteria manager.

Baskin-Robbins acquires 400 units, franchise rights

GLENDALE, Calif. — Baskin-Robbins, the 3,400-unit ice-cream chain here, has purchased more than 400 Baskin-Robbins outlets and the licensing rights to 11 Western and Midwestern states from Chicago-based Dean Foods for an undisclosed amount.

James A. Earnhardt, president of Baskin-Robbins, said the acquisition was part of the company's strategy to unify franchise operations and marketing.

Under the terms of the deal, Dean Foods, a franchisee since 1963, will continue for an unspecified time to manufacture and distribute Baskin-Robbins products for the stores. They are in Idaho, Utah, Wyoming, Colorado, Nebraska, Kansas, Texas, New Mexico, Illinois, Iowa, and Indiana.

FINANCIAL NEWS

Schlotzsky's converts to LP

By Rajan Chaudhry

AUSTIN, Texas — In 1988 the concerns facing Schlotzsky's were no different from those confronting any other franchising company — maximizing returns to investors, building its system, and creating the financial wherewithal to attract new capital.

The company's answer, however, was offbeat.

In December Schlotzsky's, which franchises a system of 240 sandwich shops, converted from a corporation to a limited partnership.

A limited partnership consists of a general partner or managing partner whose liability is not restricted — in this case, Schlotzsky's Inc. — as well as limited partners who have no right to participate in management but whose liability is confined to the amount of capital they contribute.

Initially, Schlotzsky's Inc. sold a 20-percent stake in its limited partnership — Schlotzsky's Franchising L.P. — for $2.4 million, according to chief financial officer Paul Simar. Schlotzsky's sold partnership units to 15 outside investors — nearly all of them Texans — while 18 key employees purchased a 25-percent stake. Schlotzsky's Inc. has since raised an additional $3 million through separate limited partnerships in San Antonio and Houston, Simar said.

In both San Antonio, where 10 restaurants were built and four are under construction, and Houston, where six new units have been added and five are being built, Schlotzsky's Inc. — the general partner — holds a 25-percent share of the restaurants.

Schlotzsky's
Austin, Texas
Founded: 1971
Number of units: 240
Projected 1989 systemwide sales: $60 million
Average per-store sales: $250,000
Per-person average check: $3.35
Leadership: John Wooley, president of Schlotzsky's Inc.
Owner: Schlotzsky's Franchising L.P.

Through similar partnerships, each with its own group of investors — and possibly through the acquisition of existing franchisees — Schlotzsky's intends to continue branching out, Simar said. He targeted Orlando, Fla., and Nashville, Tenn., as two prime possibilities for expansion.

The partnership's goal in each market it enters, Simar noted, is to build eight to 10 restaurants without any leverage. With several debt-free stores against which to borrow, the partnership hopes it will be able to finance further expansion within the market, he said.

And the partnerships offer extra incentives to investors, he indicated, because the company pays out excess cash from operations quarterly and because partners also avoid the double taxation of a corporate investment.

Unlike shareholders in a corporation — whose returns are first taxed as corporate earnings and then as dividends — investors in a limited partnership are taxed only once.

Diverting cash flow to investors clearly wouldn't be in the best interest of many chains, but because Schlotzsky's is essentially a franchising company, its capital isn't earmarked for building or remodeling.

"A franchising company does not really need to accumulate capital," Simar noted.

According to him, the savings and loan crisis — while a disaster for many in Texas — is providing new opportunities for restaurant operators.

With the troubled thrifts in new hands and free of many of their bad loans, they are now seeing the wisdom of diversifying beyond big oil and gas loans.

"They're actually competing like crazy for regular business loans," Simar explained. "They're really being aggressive again and going more to small businesses."

Shuttered S&Ls are also prime locations for site-hungry restaurateurs, Simar noted.

One bank closed a half-dozen branches in San Antonio a few weeks ago, he said, leaving openings in an area that Schlotzsky's has been struggling to crack.

Schlotzsky's was quick to cast an offer, Simar said, and the landlord was equally quick to bite.

"The landlord said: 'It's a shame. I've got two offers from S&Ls, one from a credit union, and one from a sandwich shop. And I have more faith that the sandwich shop is going to be here in five years than the financial institutions,'" Simar said.

A Schlotzsky's unit in Houston, Texas.

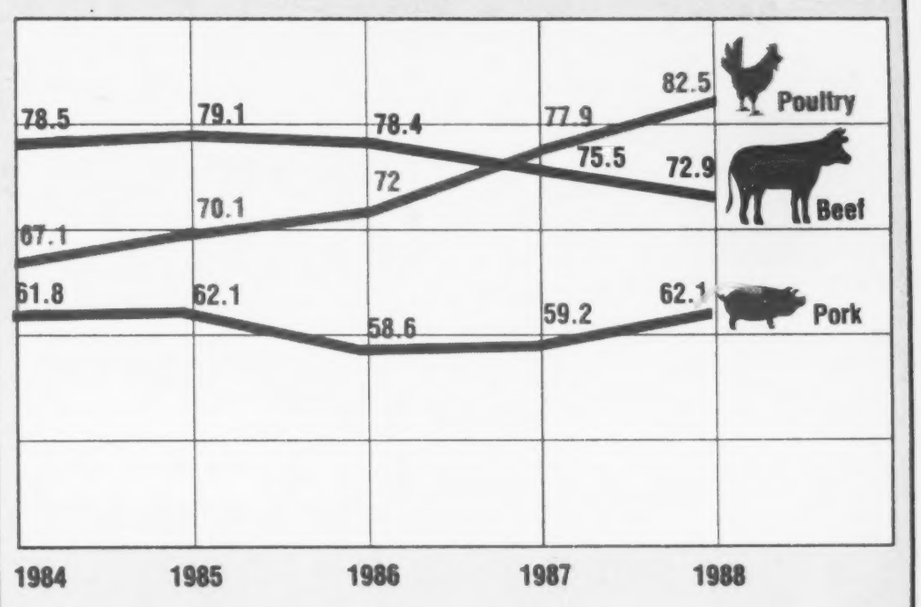
FACT FILE

A look at the statistics shaping the industry

POULTRY CONSUMPTION TAKES WING

The average American is eating more chicken and less beef. In 1987, poultry consumption for the first time surpassed that of beef, while pork consumption climbed to 62.1 pounds per person.

(pounds per capita)



Source: U.S. Department of Agriculture

NRN FINANCIAL DIGEST

Riese group acquires REGI unit

IRVINE, Calif. — An investor group led by the Riese Organization — a New York-based restaurant and real-estate giant — has completed its acquisition of the Gilbert/Robinson unit of The Restaurant Enterprises Group Inc.

The Gilbert/Robinson division comprises more than 100 restaurants, including Houlihan's, Darryl's, and Charley's Place concepts.

Final terms of the deal were not disclosed, but the Riese Organization has put the price at $200 million to $250 million.

Southland loses $216M for year

DALLAS — Southland Corp., operator of the 7-Eleven convenience-store system, said high interest costs and various non-cash expenses stemming from its 1987 leveraged buyout resulted in a net loss of $216.2 million on revenue of $7.99 billion for the year ended Dec. 31.

The company reported a loss of $37 million on revenue of $1.97 billion for the final quarter of 1988.

Because of the LBO, the seven months ended July 31, 1987, are reported on a accounting basis different from that used for subsequent periods. Therefore, results from the two periods within 1987 cannot be added to achieve 1987 full-year financial results, and no full-year comparisons can be made between 1987 and 1988.

Southland operates 7,000 convenience units in the United States and Canada, five distribution centers, and six Southland Food Division plants. Area licensees operate almost 5,300 7-Eleven stores in the United States and abroad.

Shoney's buys nine Elby's

COLUMBUS, Ohio — Shoney's Restaurants is breaching the Columbus market by converting nine area Elby's Family Restaurants to Shoney's franchises, Shoney's said.

The conversion of the Elby's restaurants — owned by Wheeling, W.Va.-based Boury Enterprises — is part of Shoney's drive to expand its system through franchising.

Nashville, Tenn.-based Shoney's Inc. operates seven Captain D's fast-food seafood restaurants here. In addition to the Shoney's and Captain D's chains, the company also operates and franchises Lee's Famous Recipe Chicken restaurants, Fifth Quarter Steak Houses, and Pargos as well as the Shoney's Inns motel chain.

Both Shoney's and Elby's started as Big Boy franchisees.

Foodmaker files senior debt offering

SAN DIEGO — Foodmaker Inc., operator and franchisor of the Jack in the Box system and Chi-Chi's Mexican dinner houses, said it has filed a $150 million senior note offering with the Securities and Exchange Commission. The company said it would use the proceeds to reduce bank debt.

FOOD PRICE OUTLOOK

Alaska oil spill damage over-hyped

The Alaskan oil spill is not expected to affect most **fish** prices, but **crab** catches are expected to be disrupted in the area, with resulting higher prices. The **herring** season has been called off, with higher prices expected to be announced soon for **marinated herring.**

Nevertheless, other supply sources are available to herring packers.

Farmers surprised agricultural economists by telling the Agriculture Department they intend to plant less feed grains than everyone anticipated. Although acreages for **corn** and **soybeans** are up, the increase isn't much. This could mean that even if there is no drought, **meat** and **poultry** prices will stay high, since feed grain prices will not come down significantly.

One culprit is said to be the federal government's Conservation Reserve Program, which pays farmers for taking marginal land out of cultivation.

Hogs have been coming to slaughter in large quantities since the weather in the Midwest improved, and cash prices for **pork** have dropped as much as 15 to 20 cents a pound over peak first-quarter prices.

Imported canned ham prices seem to be coming down, with **Polish hams** leading the way. Although the price of **larger green hams** has dropped 20 percent from last year's, there has been little reduction in either **cured** or **canned domestic ham** pricing.

Despite continued strong production, **cheese** prices have continued on the high side. **Italian-style cheese** production is up from last year's, but stronger demand has kept prices up. Cheese prices have been running so high that the Agriculture Department has not been buying for its price support program, which has cut supplies for the agency's food donation programs, especially for schools.

— **Patt Patterson**

FOR THE LATEST STOCK MARKET TABLES, SEE PAGE 118

FOCUS | OPINION

Nation's Restaurant News

is published by
LEBHAR-FRIEDMAN INC.
425 Park Ave., New York, NY 10022
212 371-9400
Subscription Services, ext. 379 or 419
Cable Address: LEBHAFRIED
Panafax: 212 838-9487

Publisher JAMES C. DOHERTY

Editor CHARLES BERNSTEIN

Executive Editor Rick Telberg
News Editor Rick Van Warner
Senior Desk Editor Jeanne Isenberg
Special Projects Editors Joe Edwards, Peter Romeo
Senior Editors Ken Frydman, Milford Prewitt
Associate Editors Bill Carlino, Rajan Chaudhry
Bureau Editors Richard Martin (West Coast Chief *Los Angeles*), Alan Liddle (*San Francisco*), Carolyn Walkup (Midwest/*Chicago*), Jack Hayes (*Atlanta*) Tracey Taylor Woodard (*Houston*) Ken Rankin (*Washington*)
Copy Editor Michael Schrader
Desk Editors Peter O. Keegan, A. Rhona Melsky, Lisa Saladino
Contributing Editors Florence Fabricant, Mort Hochstein, Atid Kaplan, Patt Patterson
Editorial Secretary Donnae Kerber
Art Director Milton Berwin
Graphic Artist Alice Fernandes-Brown

Associate Publisher/National Sales Manager MICHAEL F. CHARLTON

Eastern District Manager John Yatkauskas
Advertising Sales Coordinator Chris Hernandez
Production Manager Francine Rizzo
Research Director Anne Frascielle
Production Director Stan Kaufman
Classified Advertising Manager Leslie Wolowitz
Executive Director Circulation Ed Nessel

Group Publisher C. Reese Musgrave

Founder (1900-1981) Arnold D. Friedman

President J. Roger Friedman
VP/Publication Services Barry Braverman
Sr. VP/Group Pub. James deGraffenreid
VP/Planning Harry A. Estes
VP/Publisher Jay Forbes
VP/Finance James Granato
VP/Human Resources Richard D. Groberg
VP/Editorial Director David Q. Mahler
Sr. VP/Group Pub. C. Reese Musgrave
Treasurer Barry Okun

REGIONAL OFFICES

Atlanta 278 Spring Drive, Roswell, GA 30075, 404-998-6966
Boston 1 Gateway Center, Newton, MA 02158, 617-527-6394
Area Manager Chris McCoy
Cleveland Summit One Building, 4700 Rockside Road, Independence, OH 44131, 216-642-3420
Area Manager John Bistnik
Chicago 444 N. Michigan Ave., Chicago, IL 60611, 312-644-8688
District Manager Gary Knuth
Area Manager John McGuire, Ed Weisbrod
Houston 2851 Wallingford Drive, Suite 108, Houston, TX 77042, 713-977-7924
Los Angeles 606 N. Larchmont Blvd., Los Angeles, CA 90004, 213-464-8321
Regional Manager John Donoghue
District Manager David M. Pittman
San Francisco 400 Montgomery St., Suite 1110, San Francisco, CA 94104, 415-362-2575
Area Manager Steven Conca
Washington 17735 Striley Drive, Ashton, MD 20861, 301-774-3895
Mgr., Corres. Ken Rankin
Correspondents Deane Evans, Nicole Miles
Japan Diamond-Friedman Ltd., Chain Store Age News, Japan 1-4-2 Kasumigaseki, Chiyoda-ku, Tokyo, Japan, 504-6750

The Audit Bureau MPA ABP

Publisher of Nation's Restaurant News, Discount Store News, National Home Center News, Drug Store News, Accounting Today, Computer&Software News, Chain Store Age Executive (with Shopping Center Age), *APPAREL merchandising*. Affiliates: Business Guides Inc., Lebhar-Friedman Books; Inside Retailing (Newsletter); Chain Store Age News, Japan; Largo Music Inc.

Subscriptions

Call (212) 371-9400, ext. 419
Having a problem with your subscription? Send us full details, including the mailing label from the last copy you received, along with your telephone number. We'll do everything possible to solve the problem at once. Write to Circulation Fulfillment Director, Nation's Restaurant News, 305 Madison Ave., Suite 535, New York, NY 10165-0079.

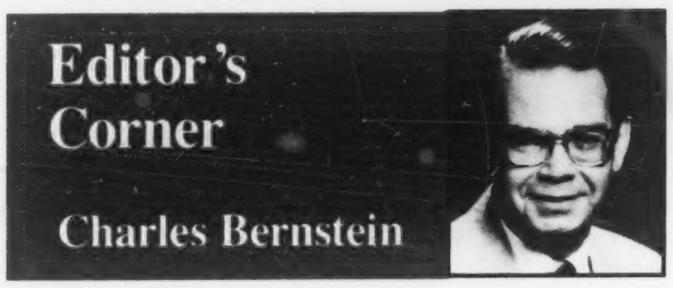
Permissions

Materials in this publication may not be reproduced in any form without written permission. Requests for permission should be directed to Nation's Restaurant News, publisher, Lebhar-Friedman Inc., 425 Park Ave., New York, NY 10022.

Smaller chains hopelessly outgunned?

An inherent inequality threatens the future growth of regional chains and smaller restaurant groups — to the potential detriment of the industry.

As mergers, acquisitions, and consolidations proliferate, big guys inevitably are gaining more financial muscle to expand, remodel, try new concepts, or do whatever they want. But the little guy is again taking it on the chin, lacking the financial resources to keep growing at even a moderate pace.



Some see this situation as an actual plus for the little guy who is able to marshal the full resources of existing operations and in effect is forced to avoid the pitfalls of overexpansion. However, as was recently emphasized in this column, with higher operating costs, higher wages, and other threatened government regulations, the little guy is trapped. Nor does he have the capital to grow or to take any chances on new concepts.

Besides financial muscle, the critical promotional strength belongs to the big guys. And only the titans can afford the monies necessary to acquire prime sites, much less the volumes to sustain them. The broad-based Riese Organization of New York City has propelled itself into the restaurant limelight largely through its real-estate power.

Unfortunately, the price paid for remaining independent may simply be too much for many of the smaller operations in 1989 and 1990. They may be forced to succumb to the same trend that has seen so many smaller operations picked off by larger companies or investment houses.

The larger operations have been able to exercise multiple options and are poised to play a game of rolling out more and more units. That in itself poses dangers in an environment where saturation and flat traffic counts proliferate as the industry matures.

Chains such as Marie Callender's (which went downhill under the corporate-minded ownership of Ramada Inns and without the entrepreneurial flair of founder Don Callender), Nathans's, and Ponderosa are now controlled by investment groups, for better or for worse.

Al Copeland's takeover of Church's is typical of what can be expected. Operators are likely to be spending even more time fending off takeover efforts or launching their own acquisition bids.

Whatever the case, the big corporations seem to hold the trump cards. PepsiCo can keep starting more KFC, Pizza Hut, and Taco Bell units to its heart's content. General Mills has a huge advantage in continued rollouts of Red Lobster seafood houses and Olive Garden Italian dinner houses.

A dramatic example of the possible advantages of corporate financial, promotional, and real-estate power is that the Olive Garden has vastly outdistanced Grisanti's Italian dinner houses (a price notch higher) in number of units. General Mills remained committed to maximum expansion while Imasco did not and now seeks to sell Grisanti's.

Foodmaker might have an inside track with its Jack in the Box and Chi-Chi's units. TW Services, itself a takeover target from Coniston Partners, has the financial and promotional muscle to roll out more and more Denny's units.

Carlson Cos. is rapidly accelerating the expansion pace at its Country Kitchen family restaurants and hopes to do likewise with T.G.I. Friday's. Meanwhile, Chili's is determined to expand faster and to stretch the reach of its recently acquired six-unit Grandy's dinner-house chain, a notch above Chili's in price points.

McDonald's, Marriott, and Imasco's Hardee's — all with superior financial resources — are stepping up their expansion, too.

Having expounded on the poor little guy who gets continuously zonked by the government and outmuscled by larger competition, we nevertheless see plenty of hope for the so-called second- and third-tier regional chains. They are not able to expand nearly as fast, to test new concepts, to advertise nearly as much, or to acquire expensive real estate in the highest traffic locations.

But they often can and will outflank their larger competitors by being more attuned to the local market, more responsive to the customer, more skillful in acquiring less expensive sites such as gas stations or shuttered banks, and more selective in choosing sites.

Most of all, the little guy has the entrepreneurial spirit and flexibility to succeed despite all the obstacles. So before we shed too many tears of pity, let's recognize that some of the independents and smaller chains actually have the ability to offset the sheer weight of the corporate-minded chains' numbers.

Perhaps the availability of financial resources and the desire to keep expanding in all directions are temptations that can lead to destruction, if not properly controlled. Regardless of size, it is usually better to remain faithful to one's concept.

LETTERS

Szathmary's excellence not confined to cooking

Editor, NRN:

Your excellent Midwest editor Carolyn Walkup's story on chef Louis Szathmary was a fine summary of his great work in the field of cooking. However, to those of us who were around the area where his fine establishment was located, Louis had an additional dimension.

His Bakery, along with a few other lounges and little theaters, helped turn a nondescript area into a high-quality one. In fact, in the very beginning, the city was trying to revive that area.

During his growth period, Louis was always aware of neighborhood needs and interests. The community was filled with people who wanted to protest everything from street signs to faraway wars. Louis joined with them all the time. He never gave an inch, but he always wanted a better area.

Another aspect of his presence was his interest in local art, especially art theater. Many times Louis and his beautiful wife contributed time, energy, effort, and food to help make a little theater party work.

When Louis retires, the whole community should have a say in who comes in to operate his Bakery. After all, the community has a great stake in getting an adequate replacement for such a fine man.

I knew Louis so well because I covered all aspects of show biz for the community newspapers.

— J.E. Quinlan
entertainment editor
The Near North News
Chicago

Rewards for consultants achieved through clients

Editor, NRN:

A thank you is in order for your Editor's Corner on consultants. I enjoy being "temporary help," and clients do like the fact that they don't have to carry us on their payroll to perform functions that may be short-term or intermittently ongoing.

The rewards of being a consultant are derived from dedicated clients who pick up the ball and "run with it," whether they show sales, customer count, check-average increases, better cost management or improve retention through care in human relations.

It is not the consultants who can achieve the results. We can only help evaluate, educate, focus, collaborate, and be there when the clients or their staff need us.

It is with the greatest respect that I say our clients make it happen; we help to get the ball rolling.

— Denise Minchella
Playa Del Rey, Calif.

Braille menus help prove that the industry cares

Editor, NRN:

Regarding your article on The Hershey Philadelphia Hotel's braille menus in its restaurant:

We are a small 80-seat deli and restaurant in Palm Springs and for the past three years have had Braille menus. We have many sightless customers. They feel good when no one has to repeat the menu to them.

I would like to suggest that more restaurants and hotels make Braille menus available.

We contacted our local chapter of the Desert Blind and they were more than willing to print several Braille menus for us — and at no charge to us.

We're proud to be part of an industry that cares.

— Esther Youngerman
Gaiety Delicatessen — Restaurant Caterers
Palm Springs, Calif.

FOCUS | NRA

Changing times breed broadening menus

NRA reports on evolving patterns from '82-'89

By Ken Frydman

WASHINGTON — Responding to changing food consumption patterns during the last six years, restaurants are today offering customers a wider selection of appetizer and entrée items, cooking methods, and ethnic dishes than they did in 1982, according to a menu analysis conducted as part of the National Restaurant Association's Tableservice Restaurant Trends 1989.

The wide-ranging survey, which polled 455 table-service restaurants, also covered other key dining-out issues, such as nutrition concerns, reservations and no-shows, service charges, table-service practices, restaurant features, remodeling plans, and convenience services, like on-premises bakeries, catering, and children's menus. But the evolution of consumer food preferences is the study's meat and potatoes.

The survey covered such dining-out issues as nutrition concerns, reservations and no-shows, service charges, tableservice practices, and convenience services. But the evolution of consumer food preferences is the study's meat-and-potatoes.

"The growth of appetizers gives patrons the opportunity to sample a number of new foods and suggests that Americans still enjoy grazing," concluded the menu analysis, which compared 50 randomly selected 1982 restaurant menus with 50 of their 1988 counterparts.

The menu analysis was broken out into seven categories: appetizers, soups, entrées, salads, hamburgers and sandwiches, desserts, and beverages.

Things have changed considerably among entrée selections in the 1980s. Of those on the 1982 menus, 76 percent were seafood and fish, meat, and poultry. In 1988 Mexican entrées and pasta added another 6 percent to that mix.

"The influence of Cajun cuisine, exotic salads, and the blackened-grilling method used on fish, chicken, hamburgers, and steaks indicates that patrons want new eating experiences and are developing more sophisticated tastes," the study showed.

More entrées, 846, appeared on the 1988 menus than on the 1982 menus, 782. Although seafood and fish dishes accounted for the largest amount, 26 percent, of entrées, the figure represents a decline from 31 percent in 1982. Salmon entrées doubled from 6 percent to 12 percent, and swordfish was up from 4 percent to 10 percent, but sole entrées dipped from 23 percent to 6 percent, replaced in many cases by previously underutilized species like mahi mahi, monkfish, ono, orange roughy, sea bass, and sturgeon — which were absent from the 1982 menus.

The incidence of such meats as lamb, beef, pork, and veal entrées dropped from 35 percent of menus to 22 percent. And egg dishes, such as quiche, frittatas and omelets, tumbled from 8 percent of entrées to 2 percent.

However, Mexican entrées like seafood stew with chayote squash, chicken mole, and pork browned in natural juices grew more than fourfold from a low of 5 percent of entrées in 1982 to 22 percent in 1988. Pasta entrées also gained in popularity, from 5 percent to 12 percent of total entrées.

And, although poultry entrées remained stable over the years, grilled or charbroiled chicken dishes increased from 5 percent of poultry dishes to 14 percent.

Variety and expansion have been most evident among appetizers. While a total of 312 appetizers appeared on the surveyed menus in 1982, 444 popped up in 1988. Pizza, pasta, potato skins, meat-base appetizers, and Mexican-type starters were the big gainers over the last six years; fruits, pâtés, and vegetable appetizers declined.

Soups remained relatively constant, with 98 on the 1982 menus and 102 on the 1988 menus. As the presence of ethnic soups like gazpacho and Mexican fish chowder swelled from 2 percent to 13 percent of menus sampled, the percentage of soup du jours fell from 37 percent to 25 percent over the six-year period.

Overall, the number of salads on the menus increased from 192 to 254, with the biggest jump coming in the entrée salad subset — from 100 to 168. But side salads actually declined slightly, from 92 to 86.

As for "All-American" food, hamburgers and cheeseburgers retained their menu presence, while beef and pork sandwiches and hot dogs experienced a slight decline. Similar to entrée salads, the number of chicken, seafood, and fish sandwiches expanded to 6 percent and 3 percent, respectively.

Grilled chicken breast sandwiches now account for 4 percent of sandwiches, compared with less than 1 percent of all sandwiches in 1982.

Fancy concoctions helped the number of desserts grow from 249 to 265. Frozen desserts, like macadamia nut sundaes, hot fruit, sorbet, ice cream floats, banana splits, and white-chocolate ice cream with liqueur sauce, jumped by 11 percent, from 27 percent to 38 percent of menus. Pastries nearly doubled, from 5 percent to 9 percent, but cakes dipped from 26 percent to 16 percent.

Finally, in the beverage category, alcoholic beverages declined from the early to late '80s. In 1982, 22 of the 50 menus listed cocktails; in 1988, 13. House wines were down from 21 menus to 14, and beer declined from 16 to 11, but wine coolers were up from one to five, and Champagnes increased from three to 14.

Among other beverages, brewed coffee and hot tea remained stable, brewed decaffeinated coffee was up from no menus to 20, instant coffee dropped from 15 to three, milk was down from 24 to 20, milk shakes and ice-cream sodas gained ground from seven to 12, and non-alcoholic beers, wines and cocktails were seen on five of the 1988 menus vs. one in 1982.

Most notable, however, was the increase in fruit juices and lemonade and the tripling of bottled waters from five to 17 menus.

"Clearly, people are eating more healthily and drinking more healthily," concluded NRA spokesman Anne Papa.

NATIONAL RESTAURANT ASSOCIATION

TABLE-SERVICE MENU TRENDS
(percentage of menus surveyed using these items)

	1988	1982
Appetizers		
Seafood/fish	31	32
Vegetable	20	28
Mexican-type	16	8
Miscellaneous	6	7
Cheese	6	5
Chicken	6	4
Pasta	5	less than 1
Meat (beef, pork, lamb, veal)	5	1
Pizza	4	less than 1
Asian	1	less than 1
Fruit	less than 1	9
Patés	less than 1	4
Entrées		
Seafood/fish	26	31
Mexican-type	22	5
Meat	22	35
Pasta	12	5
Poultry	11	10
Diet plates	4	2
Combination meat and seafood	3	2
Egg dishes	2	8
Pizza	2	0
Miscellaneous	2	2
Hamburgers and Sandwiches		
Cheeseburgers	17	16
Hamburgers	15	14
Beef sandwiches	15	18
Seafood/fish	10	7
Chicken	9	3
Pork	7	11
Combinations	7	7
Club sandwiches	6	6
Cheese, egg, vegetable	6	6
Turkey	4	4
Hot dogs	2	3
Salads		
Side Salads	34	48
Entrée Salads	66	52
Types of Entrée Salads		
Seafood/fish	27	17
Chicken, other poultry	23	17
Mexican-type	15	10
Chef's	11	21
Spinach	7	9
Other	6	7
Other ethnic	5	7
Fruit	2	5
Salad bars	2	7
Dessert		
Frozen desserts	38	27
Pie	20	18
Cake	16	26
Pastry	9	5
Pudding, custard, mousse	7	8
Fruit-based desserts	4	7
Miscellaneous	4	7
Brownies/cookies	2	2

Source: National Restaurant Association